

November 8, 2000

Mr. Dennis G. Smith
Director
Department of Medical Assistance Services
Suite 1300
600 East Broad Street
Richmond, Virginia 23219

Dear Mr. Smith:

This letter is to inform you that the Health Care Financing Administration (HCFA) is approving Virginia's request for the renewal of the Medicaid 1915(b) waiver program, Medallion II. The request for approval of a renewal was submitted to us in your letter of June 26, 2000. Under this renewal, Medallion II which is a mandatory Medicaid managed care program, will be allowed to operate statewide in all areas where recipients can be offered a choice of two or more managed care entities.

The decision to approve this waiver renewal is based on evidence submitted to HCFA showing that the State's waiver program is consistent with the purposes of the Medicaid program, has met the applicable statutory and regulatory requirements for access to care and quality of services, and has been and will continue to be a cost effective means of providing medical/surgical services to Virginia's Medicaid beneficiaries.

Please note that the waiver is contingent on the following conditions:

1. The State will submit all future amendments to rates and service packages to HCFA for approval in advance of implementation. As in the past, rebid of a contract, or modification affecting services, capitation rates or entities contracting with the State of Virginia, the waiver and contracts will need to be amended to reflect changes in quality, access, and cost-effectiveness.
2. The State will comprehensively identify, or require the Managed Care Organizations (MCOs) to comprehensively identify the number of children enrolled in the MCOs who are in categories 1 and 5 of the Balanced Budget Act of 1997 (BBA) definition of Children with Special Health Care Needs (CSHCN). These children may be identified either through aid code analysis, or, if necessary, through manual review. The State will submit these data to HCFA on an annual basis.
3. With respect to quality of care, the State will conduct a study which will stratify its analyses such that outcomes for children in categories 1 and 5 of the BBA definition of CSHCN enrolled in the MCOs are discussed and assessed. Or, the State may perform a quality study

that focuses solely on children in categories 1 and 5 of the BBA definition who are enrolled in the MCOs. Because the State recently modified this waiver, it will only be necessary to do one quality study that encompasses both the modification and the renewal.

4. The State will review complaints and grievances and track those cases involving children identified in categories 1 and 5 of the BBA definition of CSHCN enrolled in the MCOs. (A manual review is acceptable.) On an annual basis, the State will report to HCFA the number of complaints and grievances for these groups, and submit an analysis, stratified by group, of type and number of complaints and grievances filed, and information regarding their resolution.
5. On an annual basis, the State will submit to HCFA the number of children identified in categories 1 and 5 of the BBA definition of CSHCN who voluntarily transfer from one MCO to another.
6. The State will require that MCOs serving children identified in categories 1 and 5 of the BBA definition of CSHCN perform assessments of these children's needs and the implementation of treatment plans, as appropriate, based upon these assessments.
7. Prior to implementation of Medallion II in any new expansion area, the State will seek HCFA approval of the MCO provider networks serving those areas. In this regard, at least 90 days prior to implementation, the state will provide HCFA with documentation demonstrating that the MCO provider networks are capable of providing reasonable access to care. The documentation will include counts of the various provider types included in each MCO's network in the same format the data was presented for fee for service in the renewal application. In individual cases where there are no providers of a given type of service (e.g. dental) in the fee for service program and/or an MCO's provider network in a county or adjacent county(s), DMAS will secure documentation from the MCO(s) regarding how it will provide access to the services in question. DMAS will provide this documentation to HCFA at the same time it requests approval of the MCO provider networks.
8. Regarding access to hospital services in rural counties, DMAS will ensure reasonable access within DMAS travel distance standards, i.e., 30 minutes travel time in urban areas and 60 minutes travel time in rural areas. In cases where an MCO completes its hospital network using informal or abbreviated provider agreements with a hospital(s), DMAS will identify those cases and document that in each case recipient access to hospital services is safeguarded.

The expansion of the Medallion II waiver will significantly reduce the number of Medicaid enrollees in the Medallion I PCCM waiver and possibly impact the cost effectiveness of that waiver. DMAS should monitor the ongoing cost effectiveness of the Medallion I waiver and the benefits that may accrue from combining Medallion I with Medallion II into one waiver program. HCFA will ask DMAS to address the feasibility of combining the two waivers when Medallion I is eligible for its next renewal.

All waivers already approved for Medallion II will remain in effect for this modification. No new or additional waivers have been approved. Approval of the renewal is for the period

December 26, 2000 to December 25, 2002. I wish you success in the continued operation of the Medallion II waiver program.

Sincerely,

/s/

Mike Fiore
Director

Cc: A. Hrinkevich, Philadelphia RO